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Message Text

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ORIGIN AGRE-00

INFO OCT-01 EA-12 IO-14 ISO-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15
STR-06 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /124 R

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APPROVED BY E /OT/TA:HKOPP
STR:BSEASTRUM
EA/ANP WBODDE
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----------015689 141153Z /13
R 140203Z JAN 78
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TO AMEMBASSY CANBERRA
INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, AS, GATT

SUBJECT: AUSTRALIAN TOBACCO MIXING REGULATION

REF :(A) CANBERRA 5459, (B) CANBERRA 8671

1. RESTRICTIVE EFFECT OF AUSTRALIA'S TOBACCO MIXING REGULATION ON IMPORTS FROM U.S. HAS BEEN SUBJECT OF NUMEROUS USG-GOA CONSULATIONS, MOST RECENTLY ON AUGUST 1, 1977 (REF A). FURTHER INCREASE IN MINIMUM, AS SUGGESTED IN REF B, WILL BRING STRONG REACTION FROM US PRODUCERS AND EXPORTERS. EMBASSY REQUESTED TO MAKE NEW REPRESENTATION THIS ISSUE TO APPROPRIATE GOA OFFICIALS, DRAWING UPON FOLLOWING POINTS.
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2. AT THE TIME OF AUSTRALIA'S GATT CONCESSION TO US ON TOBACCO IN 1947, ONLY 3 PERCENT OF DOMESTIC LEAF WAS REQUIRED IN AUSTRALIAN CIGARETTES IN ORDER FOR MANUFACTURERS TO OBTAIN CONCESSIONAL RATES ON TOBACCO IMPORTS. THIS PERCENTAGE WAS RAISED TO 7 PERCENT IN 1952, TO 12.5 PERCENT IN 1957, AND TO 50 PERCENT IN 1966. ALTHOUGH MINIMUM HAS

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NOT CHANGED SINCE 1966, AUSTRALIAN MANUFACTURERS ACTUALLY MUST USE 55 TO 57 PERCENT DOMESTIC LEAF IN ORDER TO COMPLY WITH BOTH MIXING AND MINIMUM STOCKS REQUIREMENTS.

3. RAISING THE MIXING REQUIREMENT ALONG WITH IMPLEMENTATION OF MINIMUM STOCKS POLICY AND HIGH DUAL IMPORT DUTY HAS REDUCED AUSTRALIA'S TOBACCO IMPORTS TO BENEFIT OF DOMESTIC PRODUCERS. IN 1947-52, WHEN MIXING MINIMUM WAS THREE PERCENT, IMPORTED TOBACCO MADE UP NEARLY 90 PERCENT OF AUSTRALIAN CONSUMPTION, WITH U.S. TOBACCO ALONE ACCOUNTING FOR OVER TWO-THIRDS OF AUSTRALIA'S CONSUMPTION. BY 1976, HOWEVER, U.S. IMPORTS MADE UP LESS THAN ONE-FIFTH OF CONSUMPTION. AUSTRALIA'S CONSUMPTION ROSE FROM 28 MILLION POUNDS ANNUALLY TO OVER FIFTY MILLION POUNDS IN THE SAME PERIOD. THUS, IMPORTS HAVE NOT SHARED IN THE CONSUMPTION INCREASES OF THE PAST 3 DECADES, AND HAVE, IN FACT, DECLINED.

4. PREVIOUS USG REPRESENTATIONS TO GOA HAVE STRESSED USG OPINION THAT AUSTRALIA'S MIXING REQUIREMENT AND MINIMUM STOCKS POLICY ARE IN VIOLATION OF GATT ARTICLE III. GOA HAS ARGUED THAT ITS SYSTEM IS NOT A CONTRAVENTION OF ARTICLE III BECAUSE FOOTNOTE TO 1947 CONCESSION PERMITS GOA TO AMEND ITS BY-LAWS REGARDING MIXING REQUIREMENTS. USG STILL FEELS THAT ARTICLE III HAS APPLICATION SINCE GATT CP'S COULD NOT HAVE FORESEEN THAT AUSTRALIA WOULD
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USE MECHANISM TO ERODE IMPORT MARKET. USG WILL ATTEMPT TO RESOLVE QUESTION OF MIXING REQUIREMENTS IN MTN.

5. AT THIS TIME USG URGES GOA TO ADOPT A MORE FLEXIBLE TOBACCO SUPPORT PROGRM, WHICH DOES NOT FORCE ONE SECTOR TO ABSORB THE TOTAL BURDEN OF ADJUSTMENT.

6. FYI - US INDUSTRY ADVISORS HAVE ASSIGNED HIGHEST PRIORITY TO NEGOTIATING LIBERALIZATION OF AUSTRALIA'S RESTRICTIVE TOBACCO IMPORT POLICY IN MTN. END FYI.
IF GOA MAKES PROGRAM CHANGES WHICH PLACE BURDEN OF ADJUSTMENTS ON IMPORTS, MTN SOLUTION TO THIS PROBLEM WILL BE MORE DIFFICULT TO ACHIEVE.

VANCE

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NNN

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Control Number: n/a
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Draft Date: 14 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE010800
Document Source: CORE
Document Unique ID: 00
Drafter: ITP/KREYNOLDS/FAS/FC;/;HOULAHD
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: STATE
Handling Restrictions: n/a
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Litigation History:
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Message ID: a8a363e3-c288-dd11-92da-001cc4696bcc
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TAGS: ETRD, AS, GATT
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